

is the party's contract closed out, but does not disclose that all contracts are simultaneously closed such that the contracts held by the other parties will be closed at the same price and this all being done without requiring acknowledgment by either party. The Examiner referred to *Coote* as curing the insufficiency in *OTOB* referring specifically to paragraphs 4-6 on page 2. However, Applicant points out to the Examiner in paragraph 6 on page 2 of *Coote* that in the event that a demand is given to an investor for extra deposit in the form of a margin call and, if this investor fails the margin call, then the following will occur "an investor who fails to meet a margin call will have *their* contract automatically closed out by the futures exchange and will have to *pay up the balance of any monies owing.*" (Emphasis added). It can be seen that this is a conventional margin call which will result in automatic closing out of that party's trading. Further, it can also be seen that once closed out, the investor can actually have lost money, i.e., they will have a balance owing. *Coote* does not address the question of what happens in an extreme fall or rise in the market wherein the commodity they own cannot be sold.

In general, the prior art sets up a general futures contract. This futures contract will proceed as follows:

Assume the customer buys one futures contract and gives the futures broker a "stop-loss" order. The market falls in price and the broker attempts to follow the instruction by selling the market to some other investor / trader that wishes to buy. In most market circumstances the futures broker can easily fulfill the instruction by selling in the market, and thus closing out the customer's position.

However, in extreme market circumstances when the market price is falling quickly with the potential buyers not wishing to buy all the futures contracts that are for sale in the market at the "stop loss" order price, then the broker may not be able to sell at the "stop loss" price. The price could continue to fall below the "stop-loss" order price before the broker can sell the futures contract. In this case the customer is liable for any loss. Buyers and sellers of futures contracts

have a potential huge liability.

By comparison, the following example will set forth how Applicant's system will work in accordance with the amended claims:

- (a) Assume the customer buys just one UCE contract at a purchase price with the minimum required assigned funds. The clearing house attempts to sell that UCE contract in the market as soon as the market offer price is a tick below the purchase price. The clearing house only attempts to sell into the market at the market offer price.

However, in extreme market circumstances the clearing house may be unable to sell the customer's UCE contract as the market price falls. If and when the customer's funds have fallen to zero, the customer's UCE contract is closed out and the counterparties UCE contract is closed out. The customer has no further liability under any circumstances.

- (b) Assume the customer buys 100 UCE contracts at a purchase price with the minimum required assigned funds. The clearing house does not attempt to sell in the market all the UCE contracts when the price first falls but as few as possible so that at the price of the sale the funds that the customer has left are sufficient for the number of UCE contracts remaining.

However in extreme circumstances the clearing house may be unable to sell the customer's UCE contracts as the market price falls. If and when the customer's funds have fallen to zero the customer's UCE contracts are closed out an the counterparties' UCE contracts are closed out. The customer has no further liability.

**AMENDMENT AND RESPONSE**

S/N 09/125,479

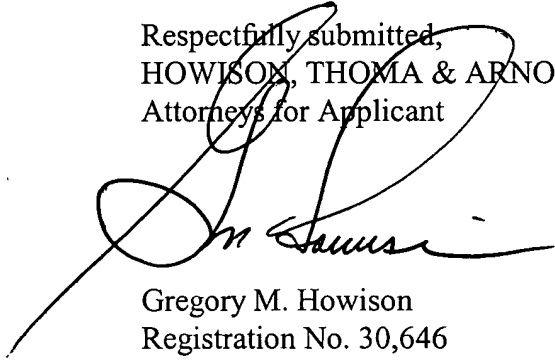
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As can be seen from the claims, one aspect that is clearly missing from either of the cited references, either in combination or singularly, is that there is no disclosure or suggestion of any sort that there is any ability to simultaneously close up all contracts held by the other of the parties at the same price as the investor's price and also without requiring acknowledgment by either party. As such, Applicant respectfully requests withdrawal of the 35 U.S.C. Sec. 103 rejection with respect to the two newly cited references.

Applicant notes with appreciation the telephone conversation and specifically requests a telephone interview with the Examiner to discuss this case.

Applicant has now made an earnest attempt in order to place this case in condition for allowance. For the reasons stated above, Applicant respectfully requests full allowance of the claims as amended. Please charge any additional fees or deficiencies in fees or credit any overpayment to Deposit Account No. 20-0780/LAUS-24,408 of HOWISON, THOMA & ARNOTT, L.L.P.

Respectfully submitted,  
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**AMENDMENT AND RESPONSE**  
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## VERSION WITH MARKINGS TO SHOW CHANGES MADE

14. (Twice Amended) A method of operating a contract exchange to provide a market place for the trade of contracts on which options are held, the trade taking place between investors comprising the steps of:

5 providing a cash depositing facility comprising a computer based cash management fund having depositing accounts into which said investors deposit funds, and from which said investors assign at least part of their deposited funds, known as assigned funds, for the opening of said contracts;

providing an automated real time screen trading system accessible by said investors using personal computers to trade contracts in said market place; and

10 providing a clearing house computer electronically linked to said cash depositing facility and said automated real time trading system;

operating said clearing house computer in the contract exchange to control the operation of said market place;

15 requiring that each investor has sufficient assigned funds available to cover a proportion of the price of a contract, as determined by a leveraging ratio applied to that contract, before allowing that investor to open that contract;

20 creating an indivisible financial package contract between a first party investor that takes a long position in the contract and a second party investor that takes a short position in the contract, both of whom, as a result of the creation of said indivisible financial package contract, become the beneficial owners of the proceeds of a binding obligation requiring a cash settlement based on a settlement price of a specific quantity of a specified type of product at an agreed price, place and time;

trading contracts between first and second party investors who choose to trade;

25 recording incremental contract price changes causing the first and second party investors to gain or lose the entire change in the value of the contracts held, resulting from the price changes depending on whether they hold long positions

or short positions;

30                   transferring said entire value changed from the losing one of the first  
and second party investors assigned funds and into the gaining one of the first and  
second party investors assigned funds after each said trading event;

35                   exercising said options to dispose of some or all of a first party or  
counter party investor's contracts when their assigned funds become insufficient to  
cover said proportion of the value of the contracts they hold after a trading event, but  
if it is not possible to dispose of the contracts, then when the value changes such that  
one of the first or second party investor's assigned funds are reduced to zero, closing  
all that investor's contracts at that price, and simultaneously closing all the contracts  
held by the other of the parties at the same price without requiring acknowledgment  
by either party.